

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Mail Processing Network

Rationalization Service Changes, 2012

Docket No. N2012-1

**DIRECT TESTIMONY
OF MAX HEATH, NNA T-1
ON BEHALF OF NATIONAL NEWSPAPER ASSOCIATION
(April 23, 2012)**

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1 **Introduction**

2 My name is Max Heath. I represent the National Newspaper Association, a
3 2,400 member organization that has served community newspapers for 126 years. I
4 have been its Postal Committee chairman since 1986.

5 I am officially retired as vice president of Landmark Community Newspapers, Inc.
6 (LCNI), but I continue to consult with newspapers, including LCNI. In my 45-year career
7 in the community newspaper industry, I have been a working reporter, sports editor,
8 news editor, editor and general manager. In corporate staff work from 1980-2008, I was
9 VP/executive editor for 21 years, VP/circulation and postal for 23 years, and an
10 acquisitions executive as well for my final seven years. My company had 56 community
11 weekly, multi-weekly and daily newspapers, most in the mails for both Periodicals
12 newspapers and Standard Mail shoppers or specialty publications. We also operated
13 seven college sports magazines, mailed Periodicals and First-Class for expedited
14 delivery. I also now represent Publishing Group of America, which publishes newspaper
15 content for weekend newspapers, including Relish, Spry and American Profile.

16 I have been one of NNA's Mailers Technical Advisory Committee representatives
17 since 1989, and served on numerous Periodical workgroups. In that capacity I write a
18 monthly column for the NNA's *Publishers' Auxiliary*, provide seminars on postal issues
19 and circulation around the country, and operate a hotline for newspapers to report
20 trouble with delivery and postal rules. The goal of our hotline is to work with USPS to
21 trouble-shoot delivery problems by helping the Postal Service correct problems in the
22 delivery network and advising newspapers in how to prepare their mail for best results.

23
24 I have appeared before the Commission as an expert witness for newspapers in
25 omnibus rate case Dockets R97-1, R2000-1, R2004-1 and R2006-1; NNA 2010-1, the 6
26 to 5 day delivery case; 2011-1, the retail optimization case, and the Time-Warner
27 complaint case, C2004-1. As the Commission is aware from previous dockets, NNA is
28 a small organization with few resources for systematic data-gathering. However,
29 because of the breadth of my consulting practice, and my length of service for the
30 industry in postal issues, I believe I generally have a good grasp of the issues arising in

1 the industry and the Postal Service's likely or potential responses to them, and how they
2 affect members.

3
4 My purpose in this testimony is to discuss the impacts upon community
5 newspapers if overnight and same-day service standards are changed and to
6 recommend some actions for the Commission.

7 **I. Same Day and Overnight Delivery is Essential to a Viable Newspaper**

8 The importance of mail delivery to community newspapers remains as critical as
9 it has been over the more than two decades of my service to newspapers as their
10 national "postal guru." Of NNA's 2,400 members, about four-fifths are weekly or twice
11 weekly newspapers. The remainder are dailies, usually serving America's small towns
12 and rural areas. As the nation's dialogue on the future of the Postal Service and the
13 digital future continues, I find myself having to debunk two myths--that people no longer
14 read newspapers, and that newspapers are now being read mostly online.

15 **A. In NNA communities, newspapers remain the primary source of** 16 **information.**

17 For the past six years, NNA has conducted one national survey a year in
18 conjunction with the RJ Reynolds Institute at the University of Missouri. Our researcher
19 conducts a statistically valid survey of America's small towns, focusing on communities
20 of 15,000 people or fewer.

21 Each year, results demonstrate the same truth: people in smaller communities
22 must have their newspapers. Here are some of the results from the 2011 survey

- 23 • 74 percent read a local newspaper each week.
- 24 • Readers prefer the printed copy to the online version, with 48 percent
25 saying they never read the local news online.
- 26 • They prefer to receive advertising through the newspaper (51%) instead of
27 on the Internet (11%).

- Only about a quarter of respondents said they had found local news through a mobile device in the past 30 days. Slightly more (38%) said they had received local shopping information by mobile device.
- Readers have a strong preference for government accountability through newspaper public notice, with 80 percent saying the government should be required to publish notices in the newspaper.
- 73% say they read all or most of the newspaper.
- 91% count on it for local news and/or general news and information.
- Substantial majorities count on the newspaper for school news, local sports news, editorials or letters to the editor and public notice.
- Substantial majorities find the reporting accurate and fair, and say they trust the local newspaper more than they trust other sources of news.

NNA's findings are corroborated by the prestigious Pew Research Center, which completed a study in 2011 on where people get their local news. Pew broke information users into two categories: those over 40 and those under 40.

Those over 40 got the following information from their local newspapers: politics, crime, art/cultural events, local business, schools, community events, restaurants, taxes, local real estate, government activities, housing, zoning/development, jobs and social services.

Those under 40, generations widely thought not to read newspapers, nonetheless continue to count on them for this news: crime, arts/cultural events, community events, taxes, local government, jobs, social services and zoning/development. *"How People Learn about Their Local Community,"* September 2011, published by the Pew Research Center at www.pewinternet.org.

B. Online sources of news are not developing as rapidly as many think

It is a constant source of conversation, speculation and academic angst that newspapers are "failing" to morph into totally digital products. Again, the Pew Research

Center explains why that is: the print dollar converts to digital dimes when the advertising market shifts to digital.

Pew explained in its "State of the News Media" report that although the newspaper industry at large is making mighty efforts to find a viable digital future, digital advertising dollars do not come close to making up the losses from print. In 2011, industry print revenues overall were down by \$2.1 billion, while the rapidly growing digital ad market provided only \$207 million.

I believe that these numbers are reports from the daily newspaper markets, and are substantially skewed toward data from public companies because information from privately held and community newspapers are almost impossible to aggregate.

But having been in this business for more than 30 years, I can easily translate what this means in community newspaper towns: there is very little Internet advertising from small and local businesses, and what advertising does come into the communities from national chains with local outlets is coming on national aggregators like Google and Facebook. I have seen no studies of how successful these ads are for our local businesses, but from my experience as a newspaper consultant, I would say these ad buys are driven more by experimentation and fashion than by results. Local ad buyers try them out, are disappointed and wind up back in the newspaper, by and large.

The one possible exception is the "daily deal" type of digital ad, like Groupon or Living Social. There are now dozens of vendors like those two mega-marketers that community newspapers have tried. They are good for some new ad dollars, but they also can quickly bankrupt a local business by bringing in more below-cost traffic than the advertiser can afford to handle.

The importance of this research is to demonstrate that there is not, as yet, a viable online or mobile model for a community newspaper. We are print products, driven by print readers and print advertisers who sometimes use our Internet sites and our mobile applications. And preprinted advertising inserts are a large part of our business in recent years, and these do not lend themselves easily to electronic

1 distribution. Nothing I see in the next half decade indicates to me that this situation is
2 going to change.

3 So we must have viable distribution avenues and for most small newspapers
4 those avenues are a combination of news racks and mail delivery.

5 **C. Mail delivery remains essential.**

6 NNA's readership survey indicates that many readers of community newspapers
7 in general receive their newspapers by home delivery. However, despite the soundness
8 of the study otherwise, we do not rely on this number. We believe respondents may be
9 interpreting "home delivery" as "I get my newspaper at home," as opposed to the office
10 or elsewhere.

11 NNA occasionally conducts informational surveys of our most active members for
12 purposes of testing member interest in a variety of topics. Our most recent poll asked
13 publishers what percentage of their newspapers was delivered by mail. The results
14 ranged from 2% to 97%. These numbers are likely heavily driven by the type of
15 community where the newspaper is published. The more suburban or ex-urban a
16 newspaper is, the more likely it is to be picked up on newsstands. The more rural, the
17 more likely to have mailed-to-home distribution. And, of course, many of our small
18 dailies still use private carrier forces. The conversions we saw just 3-4 years ago to mail
19 due to high gas prices on motor routes have largely ceased, as publishers are
20 discouraged by the many uncertainties of postal rates, days of delivery and network
21 changes. With gas prices even higher now than in 2008, I have to conclude that it is
22 only the upheaval in the mailing world that is keeping these newspapers from flocking to
23 the mail.

24 I am most familiar with Landmark Communications, Inc.'s newspapers'
25 distributions. These weekly and small daily newspapers are fairly typical of NNA's
26 membership. Within these, mail distribution averages about 43% of total paid
27 distribution in non-daily paid circulation titles. That represents 51 titles around the
28 country.

1 For this mail, readers must receive it within 24-48 hours of printing for the
2 information to be of any value to them. It is obvious that old news is not news. But
3 when you consider the types of news readers need from newspapers--such as arts and
4 cultural events--you can see why immediacy is critical. An announcement of a concert
5 that arrives after the fact deprives the reader of an opportunity and an artist of an
6 audience. The same sort of problem arises for grocery or other retail sales, voting news
7 and any other time sensitive matter.

8 9 **II. Multiple new barriers have arisen for newspapers needing timely delivery**

10 In the past several years, new problems for newspaper mailers have popped up
11 like the measles. My small postal consulting hotline is so hot I can barely handle it any
12 longer.

13 **A. New postal rules are already affecting newspaper service.**

14 Among the new frustrations for community newspapers are:

- 15 • The new "droop" test that disqualifies many for automation discounts;
- 16 • Verification requirements that have caused many newspapers to miss
17 mailing deadlines because a misinformed business mail entry clerk does
18 not understand that Periodicals are not verified every issue;
- 19 • Overnight entry refusals, to newspapers that have done overnight entry for
20 a half century or more;
- 21 • Confusion about exceptional dispatch, which has led some clerks to
22 require unnecessary centralized postage payments, multiple mailing
23 statements, origin-office verification, use of PS Form 8125 (Drop Shipment
24 Clearance Document) or a host of other rules that apply to other types of
25 mail but not DDU-entered newspapers.

- Soon we may be grappling with requirements to convert our addressing software to produce Intelligent Mail Barcodes, even though the full-service version offers nothing in mailer value for a local destination-entered newspaper.

Now we face the proposal to end overnight mail delivery for First-Class and Periodicals. It should be no surprise to the Postal Service or the Commission that community newspapers are vigorously pushing back against this proposal. We believe it spells the end of newspapers in the mail, along with the profitable Enhanced Carrier Route shoppers and Total Market Coverage publications that we mail.

The Postal Service has not fully considered the ramifications of this proposal.

B. USPS does not truly know how good or bad mail service is now so we have to depend upon the network to work properly

NNA engaged in a colloquy during discovery in this case on the Postal Service's efforts to measure Within County delivery times.

I was personally involved in the study conducted by IBM that was reported to the Commission as the **Community Newspapers Study Highlights, 2010**. I participated in the introductory meetings with IBM and USPS Consumer Affairs and Business Mail Entry specialists, and assisted in selecting lists of newspapers for IBM to use for "salting" recipients to test delivery times. Although I did not keep notes from those sessions, I remember well that despite the highly professional and rigorous conduct of IBM's personnel, they found that for many of the NNA newspapers they could not find monitors to receive mailed newspapers. We learned the IBM's mail monitoring people are in larger cities and suburbs and that it does not have many in small towns. So the newspapers selected to participate skewed toward our own suburban members. A truer picture of small town and rural America delivery would have been developed if there were more widely dispersed monitors.

1 I remember that I counseled the PRC not to order this study. I believed it was an
2 unnecessary expense for the Postal Service. At the time, our local newspaper delivery
3 was pretty good. Our concerns were almost all with long-distance mail.

4 Now, however, I can see that the Commission was right. I failed to see how our
5 futures would develop. I am attaching as Appendix A some pages for reference from
6 the report that was filed in Docket RM2010-3.

7 First, the service scores from the study reported in 2010 were worse than I
8 anticipated. The highest on-time delivery was about 84%. I would have guessed it to be
9 higher than that. In the Pacific and Southwest regions, on-time delivery was in the 55-
10 58% range. Those are pretty bad for a product that is usually carrier-route, walk-
11 sequence-prepared by the mailer.

12 Second, we face an uncertain future of post office and plant closings. Service
13 that achieved an overnight on-time arrival at a discouraging 55% range in 2009-10
14 certainly isn't going to get any better if the mail entry point changes, plants close and the
15 Postal Service lowers the standards.

16 Third, although the study was intensive and time-consuming for NNA as well as
17 the Postal Service, it was better than what we have now. The Postal Service
18 announced in its 2010 filing that it intended to use magazine service scores as a proxy
19 for newspapers. NNA did not object. In fact, we were surprised to learn of the filing, as
20 it appeared in a docket that NNA did not participate in. We had expected after NNA's
21 considerable expense for the survey we would have had the courtesy of at least an alert
22 from the Postal Service when the report was released, but good etiquette failed in that
23 case, I believe, amidst USPS's many staff restructurings at headquarters.

24 It will be obvious to the Commission, familiar as it is with mailers' patterns, that
25 service measurements of magazines will be no good proxy for newspapers. Large
26 magazines are heavily destination entered but nowhere near as high density as
27 percentages of mailings as newspapers. I am confident few of them are entered
28 overnight for same day delivery. And the data I am familiar with from DelTrak and Red

1 Tag, which have been the primary sources of magazine service data, do not attempt to
2 focus on smaller communities where our newspapers are.

3 Now, the Postal Service tells us it intends to convert all mail to full-service IMb.
4 This conversion is unwelcome to us. A full-service barcode is costly to implement, and
5 expensive to print. For a manually-sorted DDU-entered newspaper it is utterly useless.
6 That mail will never see a machine to get a service score scan.

7 In short, I do not foresee a way now or in the immediate future for the Postal
8 Service or the Commission to measure how well newspaper mail meets a service
9 standard. The IBM study, good as it was, was skewed to larger communities--and in any
10 event that protocol has been shelved. Red Tag and DelTrak do not cover newspapers,
11 and IMb will produce nothing.

12 What we have to count on is the common sense practice of entering newspapers
13 in destination delivery units, both directly and through Exceptional Dispatch, wherever
14 possible, and trusting Sectional Center Facilities or transfer hubs near the entry point to
15 turn the 5-digit containers around quickly to reach local post offices.

16 **C. Plant closings have aimed first at smaller, more rural areas, which**
17 **unevenly target our newspaper mail for poor service.**

18 My colleague David Bordewyk, co-chairman of the NNA Postal Committee, is
19 testifying in this case about the impact of the closing of a small SCF in Mobridge, SD.
20 His experience is an early one in the waves of plant closings that are planned. The
21 disruptions we predict are seen in a microcosm in his southern South Dakota
22 community.

23 I have called this network optimization plan "Postal-geddon." That's what it will
24 be for newspapers. As someone who bleeds blue as much as any non-postal employee
25 ever has--I am keenly disappointed in this plan.

26 This optimization plan is being driven by the need to fill up letter-sorting
27 machines with volume so greater automation efficiency will be achieved, in the hopeful

1 belief that the mailers will not desert the Service, a lot of postal employees will retire and
2 costs will fall.

3 To me, a service plan driven by the need to run a machine is a plan without a
4 mission. It is an engineering plan, not a business plan.

5 For newspapers, the equivalent would be holding up our editions until we had
6 loads of news and advertising because it is cheaper for us to print one fat newspaper
7 than a lot of smaller ones--and never mind when the news/advertising needs to get out.
8 It would make us much more money and that would last until all of our readers and
9 advertisers bailed out on us, which would be pretty fast. It is a customer-deaf strategy
10 that accelerates the end of the mail. That is, unless you consider the need for a national
11 mail system to be primarily designed to serve high-density urban and suburban
12 neighborhoods with packages and advertising that private commerce is already serving.

13 I have sincerely counseled the Postal Service not to optimize its network in this
14 way. Closing buildings does little to save costs and stockpiling mail to feed a machine
15 inevitably damages service. That is why USPS is here today.

16 Instead what USPS must do is streamline its workforce, downsize the huge and
17 inefficient--and aging--urban plants, maintain its smaller and more efficient plants and
18 work with its labor groups to achieve more part-time and casual worker flexibility, cross-
19 craft movement and buyouts for interested eligible employees. We all recognize that the
20 benefit-rich environment of the 80s and 90s is no longer available for any American
21 work force. Newspapers faced that reality a decade or more ago.

22 This case is not the optimization case, to be sure. But the network optimization is
23 driving the service standards request. The Commission cannot deal with these two
24 elements in isolation.

1 **III. The Commission should recommend no change in overnight service**
2 **standards in the service areas of closing plants, or in the alternative recommend**
3 **service-preserving measures for time-sensitive mail.**

4 I deeply regret the financial circumstances that have led the Postal Service to
5 propose ending overnight mail delivery for any mailer or community. This proposal has
6 injected great uncertainty into the mailing community and inevitably--regardless of the
7 outcome--has accelerated the move of mail out of the system forever. I urge the
8 Commission to seriously consider all of the ramifications to this service proposal before
9 supporting it. In the alternative, I am offering a number of recommendations.

10 **A. Recommend continued overnight service within existing SCF zones.**

11 NNA supports language that will be voted on in the US Senate shortly, offered by
12 Senators Collins, Lieberman, Brown and Carper in a substitute amendment to S. 1789.
13 These provisions would preserve overnight delivery for time sensitive mail within SCF
14 zones. Maintaining these smaller zones for overnight mail would give the Postal
15 Service some new flexibility and still assure mailers that important correspondence,
16 checks in the mail, newspapers and other mail needing timely service will remain in the
17 mailstream.

18 **B. Transportation or hand-off hubs are needed in the areas of closed**
19 **facilities.**

20 It is encouraging that some of the Area Mail Processing (AMP) studies already
21 completed recommend creating hubs to keep some mail from moving long distances to
22 gaining facilities. There are several elements that must be part of these new designs if
23 mail processing plants continued to close.

24 **1. All mail prepared in 5-digit, carrier route, or mixed 5D/carrier route**
25 **containers within an origin SCF in non-FSS zones should be handled at a hub.**

26 NNA's members use all mail classes, but in this case, I am referring to First-
27 Class, Periodicals and Standard CR mail.

1 Particularly in non-FSS zones, it makes little sense to carry mail hundreds of
2 miles when entered within an SCF and intended for delivery within an SCF zone just to
3 carry it to a machine or manual plant handling so that sorting already done by the mailer
4 can be redone. As SCFs close, the existing hubs, or new hubs, should take their place
5 to handle this mail whenever possible. These 5-digit and carrier route containers can be
6 quickly cross-docked at a hub and avoid the transportation expense and delay of taking
7 it to the gaining facility. Where flats are concerned, in particular, I believe from personal
8 conversations with postal personnel and my own observation that gaining plants will be
9 unable to handle effectively a large surge in volume.

10 In this context, I have suggested to the Postal Service that it eliminate the Line of
11 Travel (LOT) sequencing that can be used for Periodicals and simply require walk-
12 sequencing in the pieces prepared for carrier route bundles.

13 **2. Time sensitive mail even within FSS zones 5-digit and sequenced**
14 **carrier-route containers should be handled at a hub, especially if it is not likely to**
15 **be sorted on the FSS or a DPS machine.**

16 The Postal Service has agreed in this case that newspapers are unlikely to be
17 processed by FSS. I believe the same will be true for Saturation and much of the High-
18 Density Standard ECR mail, which our newspapers also use. A number of mailers who
19 are not interveners in this case also have mail that is a) flat mail; b) relatively time-
20 sensitive; and c) not in need of DPS or FSS operations because they are already
21 sequenced, have expressed similar concerns about having their mail unnecessarily
22 hauled to gaining facilities, only to return untouched but late.

23 **3. Business Mail Entry Units should remain within closing SCF**
24 **zones.**

25 Much change has already occurred and more is ahead for acceptance of
26 business mail. The Postal Service has devoted much time and resource to Seamless
27 Acceptance, so as to cut down on the time and red tape involved in entering commercial
28 mail. The imposition of Sarbanes-Oxley rules upon BMEUs has seriously disrupted

1 newspaper entry already, and though USPS has made some accommodation for
2 overnight newspaper entry, more work must be done.

3 ***i. Overnight newspaper mail drop privileges must be preserved***
4 ***and extended within reasonable parameters.***

5 After business-threatening disruptions for many of our members when SOX rules
6 set in, the Postal Service implemented a small exception for overnight newspaper entry,
7 provided certain conditions were present. It permits overnight entry when 1) the
8 privilege existed in 2009; 2) the paper has more than 50% of its distribution in-county; 3)
9 a mailing is fewer than 5,000 pieces; 4) the annual mailings do not exceed 300,000
10 pieces; and 4) postage is on account at the entry office to cover the mailing.

11 This new provision has saved our business in many, many circumstances, and I
12 am deeply grateful to the professionalism of the Business Mail Entry experts at the
13 Postal Service for creating and administering it. It took approximately many months for
14 NNA to demonstrate that newspapers that have exactly the same mailing patterns,
15 sizes, weights and shapes over a period of years are not likely to create a risk of
16 revenue deficiency for the Postal Service. Our industry has gotten along fine with USPS
17 auditors for years by dropping mail at night and settling on the payments the following
18 day, along with any adjustments that were needed in costs. Though SOX red tape put
19 hundreds of same-day delivered newspapers at risk for a while, peace now reigns for
20 those newspapers.

21 But as SCFs close and more newspaper drop shipping is required--at the
22 publisher's expense--this limited exception will be too little. It already does not fit our
23 twice-weekly or daily newspapers, or any new titles that are created--and there are quite
24 a few start-ups to fill voids in small towns left by declining metropolitan newspapers.
25 The Postal Service should re-examine this provision and expand it. The Commission's
26 prompting for it to do so would help to accelerate this examination.

1 **ii. Mail.XML must be accelerated.**

2 Newspaper mailers do not use or need Mail.dat, the file structure and protocol
3 created and licensed by the IdeaAlliance and primarily used by large commercial
4 printers for trucked mail. The expense and sophistication of Mail.dat exceeds the
5 capacity of all but the largest newspaper mailers. Yet Mail.dat is necessary to
6 participate in most electronic documentation for *PostalOne!*. For smaller mailers, USPS
7 has created the Postal Wizard. But that program is only a manual-entry matrix. It is not
8 a substitute for electronic transmission desired by both USPS and mailers.

9 So the NNA community has long awaited the arrival of Mail.XML for Periodicals.
10 This simpler file structure could be used by all mail preparation software used by our
11 industry. I understand the Postal Service has testified that Mail.XML is currently
12 available.

13 But I beg to differ. My group's primary mailing software company, Interlink, has
14 sunk six figures into getting mailing statements in sync with *PostalOne!* by using
15 Mail.XML. This investment was made largely because I felt it my duty to help our
16 industry move to automated mail acceptance. Despite this large investment, Mail.XML
17 still does not work. The Postal Service has put software vendors through a myriad
18 changes and updated versions. Mail.XML is available in theory, but in practice, I have
19 yet to find a Periodical able to use it beyond test stage.

20 It is essential for the Postal Service to make this software interface workable so
21 that our publishers can physically drop mail in multiple locations in closing SCF zones,
22 and file mailing statements from wherever they are to wherever the BMEU ends up. I
23 hope the Commission will recommend completion of this long-awaited mailers' tool.

24 **4. Critical Entry Times (CETs) must be meaningfully available.**

25 It will be of little value for USPS to create hubs for SCF-zoned mail if the critical
26 entry times are so early that mail is effectively delayed a day.

27 During the implementation of SOX rules, NNA publishers got a taste of how
28 changing CETs could play havoc with the mail. Local clerks, worried about getting their

1 new mountain of documentation finished, began setting new CETs at will. Newspapers
2 that were entered at 4 p.m. were told to enter at 1 p.m. or even 11 a.m. so the clerk
3 would have plenty of time to verify the mail and type in all the numbers necessary to
4 match the mailing with *PostalOne!* requirements.

5 But newspaper mail is not that fluid. Printing times are relatively fixed. They are
6 driven by closing deadlines for news and advertising. In today's environment of
7 shrinking printing capacity, they are also driven by the time slots available on the
8 printing press. A publisher cannot simply move up the press time, because another
9 publisher's newspapers are likely on the press before and after his editions.

10 In these early CETs, a Thursday-entered paper coming in at the old time of 4
11 p.m. would not have been processed until Friday, even though minimal verification is
12 needed and postal trucks were not headed to their destinations until 5 or 5:30 p.m.
13 Deliveries of the Friday paper were happening on Saturdays, or even Mondays. That is
14 too late for the readers. It is too late for the advertisers. These delays cost newspapers
15 a great deal of money. They lose subscribers and often have to refund money to
16 advertisers who did not get the value of their ads and inserts because of USPS delays.

17 The Postal Service must set the CETs at hubs in a way that allows both same-
18 day delivery and next-day delivery where they existed prior to SCF closings. Otherwise,
19 the hub process will be meaningless. Where hubs are not necessary because a
20 publisher is drop shipping to post offices through exceptional dispatch or use of
21 additional entries, mail should be delivered the same day in the case of an overnight
22 drop or the following day when mail can be dropped while the office is open.

23 **5. More 5-digit containers will be needed.**

24 Even before the Postal Service's decisions following, the Time Inc. complaint
25 case newspapers have been forced to make up different types of containers. NNA has
26 engaged in a relentless campaign to get newspapers to abandon sacks for as much
27 mail as possible and to use un-containerized bundles for Destination Delivery Unit mail
28 or flats trays (tubs) for all other presort mail.

1 Our progress has been hampered by a number of things. 1) the Postal Service
2 has at times had a shortage of tubs; 2) USPS personnel sometimes do not understand
3 the regulations and require publishers to make up mail in sacks; 3) the Postal Service
4 applies the sack charge to the flats tub, despite the Commission's recommendation
5 against the charge in its 2006 opinion; and 4) things change slowly in the mailing
6 industry. Despite these barriers, newspapers are the only mailers I am familiar with who
7 have made a serious effort to use these less costly containers instead of sacks.

8 But sacks remain necessary in many cases.

9 Today they can contain 5-digit or carrier route bundles that wind up in a 3-digit
10 sack or higher. Before 2006, this mail could have been in a "skin sack," and gone
11 directly to its 5-digit destination. But because of sack minimums, these bundles take
12 unnecessary trips through the system. Even worse, current rules do not allow carrier-
13 route bundles in tubs for reasons that are hard to understand.

14 If newspapers are to survive the network optimization, USPS is going to have to
15 permit these 5-digit containers again, regardless of minimums. Otherwise, that mail is
16 going to go even further out of its way, or USPS personnel will have to manually open
17 and empty sacks at hubs to get the 5-digit and CR bundles out before sending
18 containers on to the gaining facility. A tray is a more desirable container for fewer than
19 24 pieces, however, since it holds no more than one-third the allowed weight of a sack.
20 Allowing carrier-route bundles in tubs is a much-needed alternative.

21 The Commission should recommend changes in these container minimums
22 when hubs are installed to maximize mail that goes through them. NNA also would
23 appreciate the Commission's renewing its recommendation not to implement a
24 container charge on flats tubs until such time as USPS can provide costing analysis in
25 the hub environment. It is in the best interest of both USPS and the mailer to promote
26 an accelerated conversion to these smaller containers.

1 **Conclusion**

2 The ending of overnight service standards is a grave development for the Postal
3 Service. I believe it will prove to be an error in the long run. However, I agree with the
4 Postal Service that the massive facilities closings it contemplates will necessitate a
5 slowing of the mail. I continue to hold out hope that wiser heads prevail and that the
6 Commission's analysis and advice will cause the Postal Service to re-examine this
7 issue.

8 In the event national overnight service ends, viable options remain for continued
9 overnight service within zones that coincide with old SCF service areas. In addition,
10 implementation of hubs to cross-dock 5- digit and carrier route mail will help many
11 mailers to avoid the considerable harm that otherwise could occur for time-sensitive
12 mail. I have laid out a series of steps that the Postal Service should take for newspapers
13 that require overnight service. I hope the Commission will recommend them.

APPENDIX A

Key slides from Community Newspaper Study Highlights, a report filed by the Postal Service on July 10, 2010. The report states the study was created for the Postal Service by Global Business Services of IBM. The pages have been compressed for easier reference

(Page 3)

Background – why measure Community Newspaper Mail?

- In 2008, the Postal Regulatory Commission expressed concern that some segments of the Market Dominant Product population would not be measured with the IMTM solution - including community newspapers

- In 2008, the USPS and IBM met with the National Newspaper Association (NNA) to discuss measurement options for community newspapers

- We discussed using sampling data, a proxy, or customer complaint data as well as the idea of conducting an external measurement study

- External Measurement had the most opportunity for accuracy and representativeness, so the USPS, NNA and IBM agreed to collaborate

- Baseline results could be compared with the existing Periodicals results

- Before we could conduct a study, we needed source data for the design – We had ODIS RPW 2008 Periodicals data, but no details

1 for Community Newspapers:

2 • In-County Periodicals = 8.4%

3 • Non Automation = 7.4%

- 4 – We conducted a survey with NNA members in the fall of 2008 to
5 gather data about their Periodicals mailings and to determine how
6 many would participate in a study in the future

7
8 (Page 4)

9 Background – baseline study

10 • We conducted this baseline study from July 11th to
11 September 25th to measure the on-time performance of
12 community newspapers

13 • Service was measured end-to-end using

14 – Newspaper reported entry dates and times to start-the-clock

15 – Reporter reported receipt dates to stop-the-clock

16 – Periodicals Service Standards

17 • We used 5PM as the Critical Entry Time

18 – This allows for entry in a nearby facility that may not be the
19 Delivery Unit

20 • Results were not weighted by mail volumes due to
21 various issues with limited source data and a very small
22 sample of pieces

23 • Study participants

24 – There were 103 newspapers in 100 originating 3-digit ZIP
25 Codes in 63 PCs

26 – We used EXFC reporters to receive and report the pieces
27 across 125 destinating 3-digit ZIP Codes in 64 PCs

Study Design

- The study was designed based on the national level statistics from the NNA survey we conducted in 2008
- We aimed to have the same ratios on frequency and Within/Outside County mailings across each Area

Area Level Goal	8
1 Daily	9
2 Two-Three Times/Week	10
9 Weeklies	11
	12
	13

National Goal / Actual	Frequency			County Type*	
	Daily (5 or more days)	2-3 Times / Week	Weekly	Within County	Outside County
Goal	12.5%	20.0%	67.5%	65%	35%
Actual	14.1%	19.7%	66.1%	56.5%	43.5%

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Community Newspapers On-Time Results and Mail Variance Results

Performance for Community Newspapers

Baseline Study Conducted between July 11, 2009 - September 25, 2009

Area	Volume	Overtime		Percent Within + 1-day	Percent Within + 2-days	Percent Within + 3-days
		Percent On Time	+/- Range			
Capital Metro Area	640	77.85	3.92	89.05	92.82	94.57
Eastern Area	685	83.63	2.96	92.78	96.31	97.27
Great Lakes Area	676	66.36	4.44	77.71	85.09	88.90
New York Metro Area	677	65.62	4.80	77.53	85.28	90.89
Northeast Area	671	80.74	4.32	89.10	94.02	96.72
Pacific Area	626	58.00	6.17	70.03	81.08	86.30
Southeast Area	634	55.41	6.27	76.27	84.56	90.84
Southwest Area	654	75.62	3.12	87.25	91.90	94.40
Western Area	795	84.88	3.05	93.11	95.29	97.61
Nation	5,425	72.48	1.50	83.98	89.81	93.22

Notes:

- Performance results are unweighted.
- A Critical Entry Time of 5:00 pm was applied to all entries.
- 103 Publications were included covering 100 originating 3-digit ZIP Codes in 63 Performance

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Community Newspapers National Results by Frequency and County Type

Performance for Community Newspapers

Baseline Study Conducted between July 11, 2009 - September 25, 2009

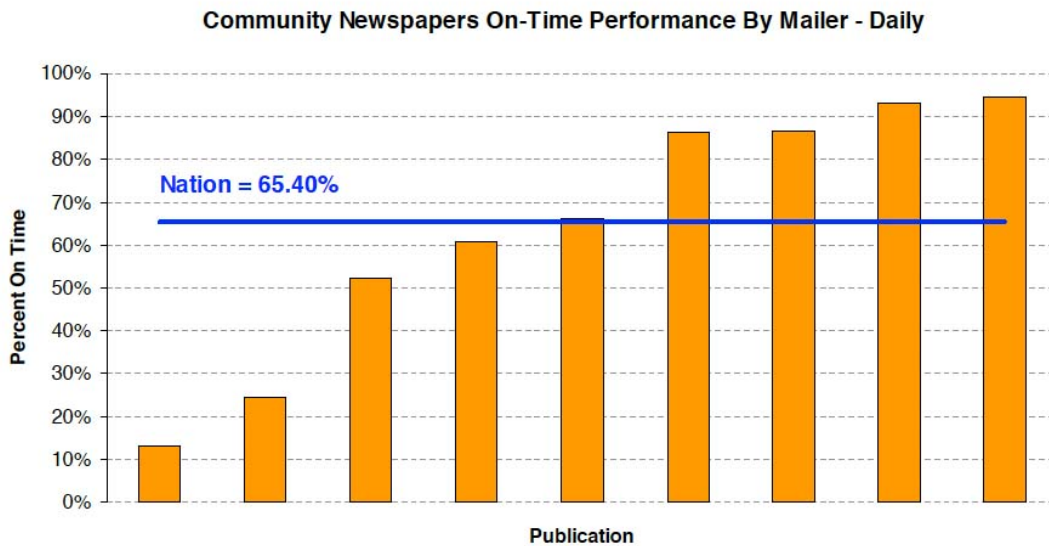
Frequency	Combined Origin/Destination								
	Within County			Outside County			Total		
	Volume	Percent On-Time	+/- Range	Volume	Percent On-Time	+/- Range	Volume	Percent On-Time	+/- Range
Daily	276	71.74	4.63	490	61.84	4.30	766	65.40	3.91
Two-Three Times	737	92.40	1.78	334	55.09	4.42	1,071	80.77	1.93
Weekly	2,051	79.67	2.54	1,537	60.64	2.33	3,588	71.52	1.90
Total	3,064	82.02	1.88	2,361	60.10	2.01	5,425	72.48	1.50

Notes:

- Performance results are unweighted.
- A Critical Entry Time of 5:00 pm was applied to all entries.
- 103 Publications were included covering 100 originating 3-digit ZIP Codes in 63 Performance Clusters (PCs) and 125 destinating 3-digit ZIP Codes in 64 PCs.

* For the most part, Within County was determined based on entry location and not the rate that the newspaper actually received

Distribution of on-time results by mailer within frequency group (Daily)

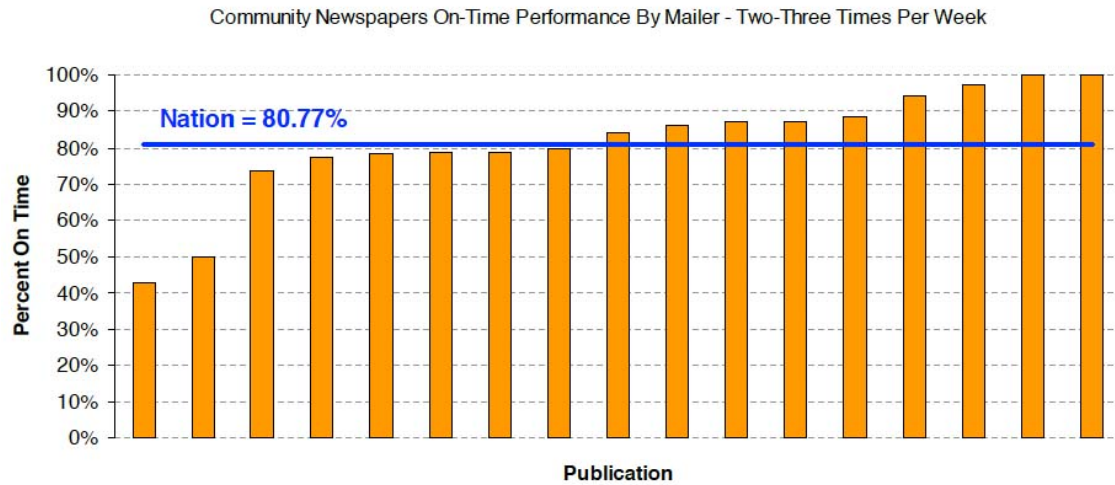


- The NNA Daily newspapers that participated had a relatively low circulation volume delivered by mail

1

2 (Page 9)

Distribution of on-time results by mailer within frequency group (Two-Three Times per Week)



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